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STATE OF CONNECTICUT
INSURANCE DEPARTMENT

Testimony

Insurance and Real Estate Committee

March 5, 2015

Committee Bill No. 23, An Act Concerning Group-Wide Supervision for Internationally Active Insurance Groups.

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, thank you for raising Committee Bill No. 23, An Act Concerning Group-wide Supervision for Internationally Active Insurance Groups.

S.B. 23 will enhance the Insurance Commissioner's authority to safeguard the financial security of insurance companies within an insurance holding company system that is an "internationally active insurance group" as defined in the legislation. The legislation is based on the December 2014 amendments to the NAIC Insurance Holding Company System Regulatory Act. S.B. 23 builds upon and complements the 2012 amendments to the Connecticut Insurance Holding Company Act to strengthen group supervision and oversight so as to identify and mitigate risk that could have a material adverse effect upon the financial condition or liquidity of a group insurer or the insurer's insurance holding company system as a whole.

S.B. 23 will provide standards for when the Insurance Commissioner shall act as a group-wide supervisor of an internationally active insurance group as well as standards for when the Commissioner may acknowledge another chief insurance regulatory official as the appropriate group-wide supervisor.

S.B. 23 will authorize the Commissioner as group-wide supervisor to conduct and coordinate the group-wide supervision activities. These activities include:

- assess the enterprise risks with the internationally active insurance group;
- request information necessary and appropriate for such assessment;
- compel development and implementation of reasonable measures to assure that the group is able to timely recognize and mitigate material risks to the insurers of the group;
- communicate and share relevant information with other state, federal and international regulatory officials within the group through supervisory colleges;

- enter into agreements with or obtain documentation from any registered insurer and any other member of the insurance group and other regulatory officials to establish or clarify the Commissioner's role as group supervisor, including provisions for dispute resolution with other regulatory authorities; and
- other activities necessary to effectuate the group-wide supervisory purposes under the Insurance Holding Company Act.

Though much of the authority contained in this legislation could be either inferred or directly drawn from other provisions of the insurance statutes, the Insurance Department requests this legislation to establish a clear and explicit legal framework for the Insurance Commissioner to act, when appropriate, as the global information coordinator and lead collaborator amongst peer insurance regulatory agencies involved in the regulation of an international insurance group. The legislation reflects that group supervision in the U.S. is a multi-jurisdictional approach involving the insurance supervisors of the legal entities within the group working collaboratively through the use of supervisory colleges to gain a group-wide perspective on the group business activity and associated risk, and to assess its potential impact that such activity and risk could have on the respective group insurance subsidiaries.

As many of our U.S. based insurers continue to expand globally, it is important for Connecticut and in the interests of the industry to maintain a robust and effective system for the supervision of internationally active insurance groups.

The Insurance Department, again thanks the Committee for raising S.B. 23 and asks the Insurance and Real Estate Committee to give it a joint favorable report.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.